



# IMPACT OF FERRERO ROCHER & CADBURY LTD.'S BRANDING STRATEGIES ON THEIR SALES REVENUE DURING LOCKDOWN

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## ABSTRACT

This research paper delves into the comparative analysis of the branding strategies employed by Ferrero Rocher and Cadbury Ltd. and their influence on sales revenue in the Indian confectionery market during the COVID-19 lockdown in 2021. The global pandemic brought unprecedented challenges to businesses across various industries, with the confectionery sector being no exception as the lockdown was marked by restricted mobility which played a role in altering consumer behaviour and a shift in purchasing patterns which truly challenged confectionery brands. This study seeks to understand how two of the market leaders of the industry, Ferrero Rocher and Cadbury, adapted their branding strategies to navigate these challenges and what impact these strategies had on their sales performance in India during the lockdown.

The research question guiding this study is: *'To what extent do the different branding strategies of Ferrero Rocher and Cadbury influence their sales revenue in India during the lockdown in the confectionery industry?'*

**KEYWORDS:** Brand image, branding Strategies, Sales Revenue, Premium / Affordable Pricing

## MATERIALS & METHODS

The research combines theoretical knowledge from business management and economics with practical insights gained through both primary and secondary research methods. The primary research includes surveys and interviews with consumers aiming to provide firsthand insights into customer perceptions and preferences during the lockdown. The secondary research involves a detailed analysis of financial reports, market data, and scholarly articles to understand the broader market dynamics and the strategic decisions made by these companies. This paper aims to highlight the effectiveness of different branding strategies under crisis conditions.

### Hypothesis

Ferrero Rocher would have a higher sales revenue than Cadbury due to its differentiation focus branding strategy. The differentiation focus branding strategy is one of Porter's generic strategies that refers to a firm making its goods and services distinct and exclusive from those of its competitors by establishing a unique selling point for its products.

## 1. INTRODUCTION

### Industry Overview

Ferrero Rocher and Cadbury Ltd. belong to the confectionary industry, which is made up of food products that are rich in sugar such as chocolates, toffees, bakery products<sup>1</sup>, etc. The Indian confectionary industry is projected to grow by 5.48% in terms of their CAGR value from 2024 to 2029. As of 2024 alone the revenue in their global market amounts to 6.21 billion USD, and is expected to reach about 8.11 billion USD by 2029<sup>2</sup>. Key competitors in the Indian confectionary industry include companies like Ferrero Rocher, Cadbury, Nestle, The Hershey's

Company, etc.

### Company Overviews

Cadbury is a British multinational public limited company that operates in more than 50 countries worldwide, with its headquarters in Uxbridge, London, and a market share of over 64% in India in 2021. A multinational company is one that operates in more than one country where its revenue goes to the headquarters located in the home country. A public limited company is an incorporated limited liability company that is owned by 2-200 shareholders and allows them to buy and sell shares in the company via a public stock exchange.

On the other hand, Ferrero Rocher is a private limited company, which can be defined as a company that is owned by shareholders with limited liability, but their shares cannot be bought by or sold to the public on a stock exchange. The company is one of the world's largest confectionary companies, with over 35 brands sold in more than 170 countries worldwide.

## 2. RESULTS & DISCUSSION

### Branding Strategies

Ferrero Rocher is known for its premium positioning<sup>3</sup>. The brand follows the product orientation strategy to marketing, which refers to an inward and innovative approach to their products by focusing on how to provide the best quality of their goods and services and make them exclusive. Their products emphasize sophistication, elegance, and indulgence and are often associated with special occasions and gifting. This approach enables them to charge premium prices and gain a competitive advantage due to their unique selling point.



For example, the company has an iconic packaging that recognizes the brand regardless of whether the box bought by the customer is a big or small box. They wrap their chocolates in gold foil and in a custom-shaped see-through plastic container, which justifies its premium brand image and increases consumer confidence when bought as they can afford such a luxurious product.

On the other hand, Cadbury positions itself as an accessible and affordable brand for everyday consumption. The brand follows the market orientation strategy to marketing by having an outward and customer centred approach by focusing on identifying and satisfying their customer wants and needs appropriately, and hence positions itself as a brand for everyday indulgence and emphasizes joy, happiness, and a family-oriented image.



Dairy Milk's packaging appears common and accessible through its simple and familiar design through using easily recognizable colours like purple and brown that resonate with a wide audience. The straightforward, uncluttered packaging with clear branding and playful fonts makes it approachable and appealing which reinforces its position as an everyday treat for all.

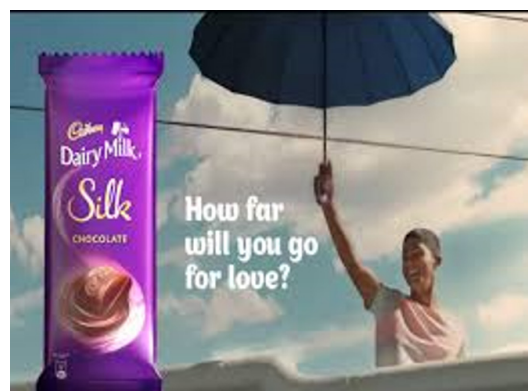
Ferrero Rocher is known for its signature product: Ferrero hazelnut chocolates, which had a market share of 9.1%<sup>4</sup> in India in 2021. The brand utilizes high quality above the line (ATL)

and visually appealing promotional strategies that as mentioned above features its distinctive gold packaging and focuses on the premium nature of the product, to appeal to its target customers: high income households with high purchasing power that value premium ingredients and a luxurious presentation.



For instance, Ferrero Rocher's advertisement featuring Hrithik Roshan holding a large 24-piece box during Diwali while dressed in luxurious Indian attire perfectly aligns with the brand's strategy of appealing to high-income households. The rich cultural setting combined with Hrithik Roshan and the prominent display of Ferrero's signature gold packaging, underscores the premium nature of the product. This visually striking and culturally resonant advertisement reinforces Ferrero Rocher's position as a luxury indulgence which is ideal for festive gifting rather than as an everyday snack bite among affluent consumers who appreciate premium quality and presentation.

Consequently, Cadbury is known for its diverse product portfolio that offers a wide range of products, including Dairy Milk chocolates, Creme Eggs, and various chocolate bars, where in India in 2021, Cadbury Dairy Milk chocolates alone commanded a market share of 40%<sup>5</sup>. They are constantly diversifying their product portfolio with new flavours, limited editions, and product variations to meet their consumer wants and needs. The brand utilizes emotionally resonant through the line (TTL) promotional strategies that centre around family and joy and caters to its different consumer segments, mainly families and children, and it remains adaptable to various cultural contexts with region specific campaigns.



This advertisement by Cadbury aligns with its brand image by tapping into the emotional connection central to its marketing. This advertisement resonates with themes of love and care and reflects Cadbury's focus on family and joy, appealing directly to its core consumer segments: families and children. The simplicity and warmth of the imagery also highlight Cadbury's adaptability to cultural contexts which makes it relatable and comfortable and appealing to diverse audiences while reinforcing the brand's position as a beloved, everyday treat.

### Pricing Strategies

The pricing strategy employed by Ferrero Rocher significantly influences its premium brand positioning. With the smallest offering, the four-piece Ferrero Rocher box priced at Rs. 150 INR, and the largest offering of Ferrero Rocher chocolates, the twenty-four-piece box priced at Rs. 800 INR, the brand strategically established itself as a high-end choice in the market. Although their products are only affordable to high income households, this approach to their pricing strategy enables them to have more flexible means of product distribution as they have a special section for them in stores / supermarkets, as well as enables them to gain higher profit margins per unit sold.

Cadbury, however, sets their prices based on their market research and what they think their consumers are prepared to pay. For example, their products, such as the Cadbury Dairy Milk chocolate bar, ranges from Rs. 10 to Rs. 20 INR, with their most expensive products such as Dairy Milk Silk or Cadbury Crème Eggs ranging from Rs. 200 to Rs. 500 INR. This approach to their pricing strategy enables Cadbury to drive a high sales volume and form a loyal customer base of budget conscious consumers.

### Revenue Analysis in Lockdown Conditions

The approach to Ferrero Rocher's branding strategy has enabled the company to earn a sales revenue of \$77.48 million USD from India in the year 2021. This was possible as they were able to charge premium prices for their products and gain a competitive advantage due to their exclusive nature. Moreover, they were also benefitted with wider distribution channels due to separate placements in supermarkets and stores which increased their visibility and persuaded people to purchase from them. Whilst you would find Cadbury chocolates in common pharmaceutical stores or street stores in India, Ferrero Rocher's would always be found in large supermarkets or chocolate stores in malls.

Year	Cadbury's Revenue (million USD)	Ferrero Rocher's Revenue (million USD)
2019	25,868	11,380
2020	26,581	12,510
2021	28,720	12,680
2022	31,496	14,000

Based on the financial documents published by the companies, it is apparent that Cadbury has demonstrated steady revenue growth over these four years which reflects its successful market penetration and broad appeal. On the other hand, despite being positioned as a premium brand, Ferrero Rocher has also

seen significant revenue increases, but compared to Cadbury has slowed down considerably.

Cadbury's branding strategy of positioning itself as an affordable brand worked in its favour during the economic downturn due to the pandemic. As consumers faced financial uncertainty and lower consumer confidence, their spending habits shifted towards more affordable treats and Cadbury, with its wide range of products available at various price points became a go-to option for those seeking comfort without going broke.

Although their revenue during 2020-2021 is lower compared to their usual, the modest revenue increase highlights Cadbury's ability to maintain and even grow its customer base during a time when many were cutting back on luxury spending which demonstrates the strength of its market-oriented strategy. The slight dip in growth rate in 2020 could be attributed to the initial economic uncertainty of the pandemic, yet the brand quickly rebounded in 2021 and 2022. Moreover, Cadbury's diverse product portfolio from low-cost options to slightly more premium offerings like Dairy Milk Silk, ensured that it could cater to a broad audience. During the pandemic, when consumer spending was reduced, Cadbury's more affordable products likely saw increased demand. Furthermore, the brand's extensive distribution network, including availability in pharmacies, street stores, and supermarkets, made its products easily accessible to consumers. Lastly, Cadbury's advertising strategies focusing on emotional connect resonated strongly during the pandemic as people sought comfort and familiarity in uncertain times, their approachable brand image reinforced its position as a beloved, everyday treat, further driving sales.

On the contrary, Ferrero Rocher's strategy revolving around their premium positioning and creating a sense of luxury and sophistication, while this allows them to charge higher prices it also makes them more vulnerable to economic downturns such as what occurred during the pandemic as it makes consumers less likely to spend on necessity goods due to the elastic demand surrounding luxury products. moreover, their selective distribution mainly in high end supermarkets and malls limited its accessibility during the pandemic as many customers avoided non-essential shopping trips. This reduced their visibility and availability compared to Cadbury, which was distributed in more accessible stores.

However, the brand's strategic focus on affluent consumers who were less impacted by the economic downturn helped it maintain a steady revenue stream especially during festive seasons like Diwali, as it ensured that it remained a popular choice for gifting, even during challenging times. However, the economic uncertainty led to a more cautious approach by consumers when it came to spending on luxury items, which tempered the brand's revenue growth in 2020 and 2021 in terms of the slight dip in revenue growth in 2020, followed by a more significant increase in 2022, suggests that Ferrero Rocher benefited from a post-pandemic recovery as consumers returned to purchasing luxury items.



Moving on, Cadbury's sales revenue from India alone in the year 2021 stood at \$545.6 million USD, surpassing Ferrero Rocher's revenue, thereby contradicting my initial hypothesis.

My research concludes that this mainly occurred due to the rising income elasticity of demand during the years 2020-21 in India. YED (income elasticity of demand) can be defined as the responsiveness of quantity demanded to a change in household income.

During the lockdown, India's GDP growth had crashed by 23.9%<sup>7</sup>. GDP (gross domestic product) is the money value of goods and services produced in a country during a time period.

India's GDP from 2020 to 2021 can be calculated by the expenditure method. It calculates the aggregating total expenditure of different sectors of the economy and the types of expenditure: consumption, investments, government expenditure, and net exports. During lockdown, India's consumption expenditure was Rs.23.03 lakh crore, investment expenditure was Rs.10.85 lakh crore, government expenditure was Rs.30.42 lakh crore, and the net exports was Rs.18.73 lakh crore.

Therefore, India's GDP from 2021 to 2021 can be calculated using the formula:

$$GDP = C + I + G + (X - M)$$

$$GDP = 23.03 + 10.85 + 30.42 + 18.73$$

$$GDP = 83.03$$

Therefore, India's GDP during the lockdown was Rs.83.03 lakh crore.

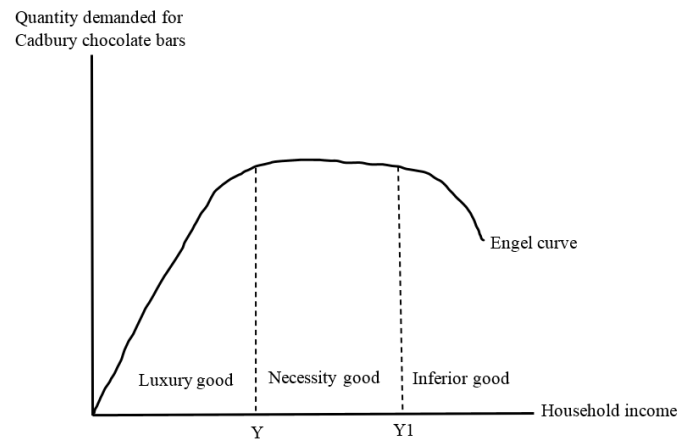
Most businesses, except necessity goods and services were shut down, which led to a contraction in production, consumption, and trade. There was also a decrease in household income ranging from 40-80% followed by the rising unemployment rate of 14.8% which caused unemployment to shoot up to 23.5% in just a month.

Due to a decrease in household income during this period, the demand for Ferrero Rocher chocolates decreased as they were very expensive and unaffordable for people, while the demand for Cadbury chocolates rose as they were accessible and affordable and required a smaller proportion of income to be spent in comparison to Ferrero Rocher. This means that a 20% increase in the price of a Rs.10 Dairy Milk chocolate bar is likely to have a smaller impact on c

consumer income, indicating price and income inelastic demand for Cadbury chocolates.

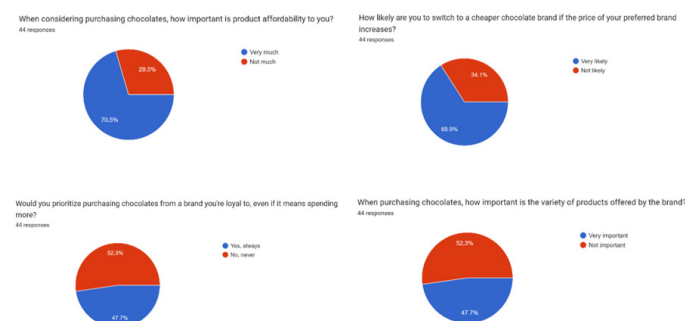
This can also be seen through the Engel Curve for the two brands. The Engel Curve, discovered by the nineteenth century German economist Ernst Engel, demonstrates how the demand for goods and services changes with income over time. It is based on the concept of income elasticity of demand, which can be defined by the responsiveness of quantity demanded for a particular good or service to a change in household income.

### Title: Engel curve for Cadbury chocolate bars



The Engel Curve for Cadbury chocolate bars shows that as household income decreases, the demand for Cadbury chocolates increases. This suggests that Cadbury chocolates are inferior goods, which means that as consumer income decreases, they allocate a larger portion of their budget to purchasing Cadbury chocolates. This is because when income decreases, consumer may seek out cheaper alternatives or indulge in more affordable products like Cadbury chocolates. Therefore, despite being a popular brand, the demand for Cadbury chocolates tends to rise during periods of economic downturns when household income decreases.

On the other hand, Ferrero Rocher being a premium brand with higher priced products is a luxury good, which means that as consumer income decreases the demand for Ferrero Rocher chocolates decrease more than proportionally, as luxury goods are highly income elastic in demand. To further investigate the factors that influence consumer purchasing decisions I conducted an online survey among a diverse sample of participants, consisting of both high income and low-income consumers. The survey aimed to explore how household income influences consumers' choices between Cadbury chocolates and Ferrero Rocher chocolates, particularly during periods of economic fluctuations. The analysis of the data derived from the survey validates the theory proposed by the Engel Curve regarding income elasticity of demand.



The fact that 70.5% of respondents consider product affordability very important shows a high sensitivity to price among a majority of consumers. This tells us why during economic downturns or periods of reduced household income such as the COVID-19 lockdown period, consumers became more price-conscious and prioritized affordable options, such

as an increased demand for affordable Cadbury chocolates as compared to Ferrero Rocher. This is also attributed to Cadbury's strategy of positioning itself as an accessible and affordable brand as it resonates well with most consumers who are price-sensitive, especially post-lockdown when economic conditions were strained. Moreover, the decrease in India's GDP and the resulting economic strain further emphasized the importance of affordability to consumers. As households faced reduced incomes and higher unemployment rates, their purchasing decisions leaned heavily towards cost-effective products.

Moreover, as per the responses, the willingness of customers to switch brands in case of price increases indicates that brand loyalty in the chocolate industry may be weaker than in other sectors, which presents an opportunity for brands like Cadbury to capture market share by maintaining competitive pricing. To tackle this, Ferrero Rocher should focus on reinforcing the perceived value of its premium products and invest in marketing strategies that emphasize the unique qualities and experiences associated with the brand to justify the higher price point and retain loyal customers.

After an analysis of the fourth survey response, it would be beneficial for either brands to segment their marketing strategies to address segments who prefer a broad product portfolio, as well as segments who do not. For customers who prefer larger variety in products, highlighting new products and limited editions can be effective, whereas for consistency-focused consumers, emphasizing quality and reliability can strengthen brand loyalty, such as Ferrero Rocher's marketing strategy.

However, at the end of the day, Ferrero Rocher's branding strategy of premium positioning and product orientation aligns seamlessly with its overall marketing strategy and corporate goals. By emphasizing high-quality ingredients, elegant packaging, and an indulgent experience, the company reinforces its image as a luxury brand which supports its goal of maintaining a strong presence in the high-end segment of the confectionery market whilst targeting affluent consumers who value exclusivity and are willing to pay a premium. The focus on premium branding enables Ferrero Rocher to differentiate itself from competitors and achieve higher profit margins, aligning with its corporate objective of sustainable growth and market leadership in the luxury confectionery segment.

In contrast, Cadbury's branding strategy of accessibility and affordability aligns with its broader market strategy of mass market penetration and consumer inclusivity. Their approach aligns with Cadbury's corporate goal of maximizing market share and maintaining a dominant presence in the Indian confectionery market and connecting with a broad audience to increase brand loyalty and driving a high sales volume. This ensures that Cadbury remains a trusted and beloved brand for a diverse consumer base while supporting its objective of long-term growth and market dominance.

#### Post-Lockdown Recommendations

In order to enhance Ferrero Rocher's premium image to justify their higher prices, one would recommend continual

investments in visually appealing and environmentally sustainable packaging to reinforce the premium image. The company could also introduce new and exclusive product lines that are only available for a limited time or in select market, which could include seasonal flavours, collaborations with renowned chocolate chefs, etc. This gives them the opportunity to expand their product portfolio while maintaining their premium positioning and product orientation strategy.

To increase brand loyalty and customer engagement, Ferrero Rocher could enhance customer service through personalized services such as custom gift wrapping for birthdays or special occasions, personalized handwritten messages, or loyalty programs that offer exclusive rewards or early access to new products depending on their operational efficiency at that point in time. Investing in above the line marketing strategies that emphasize their luxurious and sophisticated nature could also be another way to enhance their exclusivity, such as through using influencers and celebrities who align with the brand's goal to reach high income customers.

Ferrero Rocher could also expand and explore emerging markets in the upcoming years with a growing middle- and upper-class population, such as China, Brazil, and the Middle East. The company could also target the corporate gifting segment by developing tailored packages for other companies, which can include bespoke chocolate assortments for corporate events, employee rewards, client gifts, etc. Another viable option is partnering with luxury hotels, airlines, high-end events, etc. to provide Ferrero Rocher as part of their premium offerings which can increase brand recognition among affluent customers.

Cadbury, on the other hand, I believe is on the right track by continually diversifying their product portfolio with new flavours, product variations, limited editions, etc. to meet the evolving consumer preferences. Another product diversification idea they could add is catering to health-conscious consumers as well such as low sugar or organic options. They could also enhance their sustainability efforts and communicate these initiatives to consumers such as ethical sourcing, environmentally friendly practices, community support programs, etc. These initiatives could emotionally resonate with environmentally conscious customers and build their trust and brand loyalty.

Cadbury can consider expanding their presence in rural or semi urban markets where there is still significant growth potential. Moreover, by targeting health-conscious customers they can expand their customer base and market these products as a part of a balanced lifestyle. Moreover, by increasing their presence on e-commerce platforms and digital marketing, they can reach tech-savvy and younger consumers to enhance their brand visibility and drive online sales.

#### 3. CONCLUSION

This research paper set out to analyse and compare the branding strategies of Ferrero Rocher and Cadbury Ltd., and their impact on sales revenue in Pune, India, post-lockdown. The analysis incorporated primary and secondary research

methods, including surveys, interviews, and a review of financial reports and market data with the objective being to determine the extent to which these strategies influenced the companies' sales revenue in the context of the confectionery industry, which faced unique challenges and opportunities due to the COVID-19 pandemic.

The initial hypothesis posited that Ferrero Rocher would have a higher sales revenue than Cadbury post-lockdown due to its differentiation focus branding strategy and premium positioning which could give them higher profit margins. This strategy aligned with Porter's generic strategies and emphasized creating a unique selling proposition through premium quality and exclusivity. However, the research findings contradicted this hypothesis. While Ferrero Rocher's premium branding enabled it to maintain a strong presence among high-income consumers, Cadbury's accessibility and affordability resonated more effectively with the broader market during the economic downturn caused by the pandemic. Therefore, Ferrero Rocher's sales revenue from India in 2021 was \$77.48 million USD, which, while substantial, was significantly lower than Cadbury's revenue. As Cadbury managed to cater to a wide range of consumer segments, including families and children, they were able to achieve a sales revenue of \$545.6 million USD in India in 2021, surpassing Ferrero Rocher's revenue which highlighted the effectiveness of its inclusive branding strategy in lockdown conditions. Therefore, the research findings underscored the importance of aligning branding strategies with market conditions and consumer preferences to achieve sustainable growth. Despite the initial hypothesis being disproven, the research provided valuable insights and strategic recommendations for both companies to navigate the evolving market landscape and enhance their competitive positions in the confectionery industry.

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